GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3069
ANSWERED ON:07.12.2001
IMPACT OF TERRORIST ATTACK IN USA ON INDIAN STOCK MARKET
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Will the Minister of FINANCE be pleased to state:

(a) whether Sensex and Stock Markets indices suffered a huge tumble and crashed to an eight year low following the terrorists attack on New York`s World Trade Centre (WTC) and the Pentagon recently;

(b) if so, the average percentage of loss and the estimated total loss suffered by investors thereby; and

(c) the steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): The Sensex closed at 3150 on September 11, 2001. In the days following the terrorist attack on the WTC, NewYork, the Sensex fell and closed at a low of 2600 on September 21, 2001. This was an eight year low. On September 7, 1993, the Sensex had closed at 2533.

(b): The Sensex fell by about 17% in 10 trading days between September 11, 2001 and September 25, 2001. Subsequently, the Sensex has recovered and closed at 3275 on 3rd December, 2001. Rise and fall in share prices is a market phenomenon and the resultant loss or gain is notional and is inherent to all stock markets.

(c): In the aftermath of event in the US and after consultations between SEBI and the two exchanges, BSE and NSE, the following was decided:

1. The market will remain open

2. The market wide index based circuit breaker shall be kept at the level of 10% of the fall in BSE Sensex and S & P CNX Nifty of the pre announced index levels and further relaxation shall not be permitted.

3. The 53 individual securities in the derivative segment on which currently exchanges apply a price filter at the level of 20% for the purpose of order verification, would now be reduced to the level of 10% and orders beyond this level will not be accepted/approved by the trading system of the exchanges

4. The price bands on other scrips shall remain unchanged.

5. All the above decisions will apply till further orders.

As can be seen from the movement of the BSE Sensex, the stock market has since stabilized, the Sensex closed at 3275 on December 3, 2001, higher than the level on September 11, 2001.